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FOR THE SECRETARY FROM CHARGE DANIEL A. CLUNE

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TAGS: [OVIP](#) [RICE](#) [CONDOLEZZA](#) [OTRA](#) [PREL](#) [AS](#)
SUBJECT: SCENESETTER FOR YOUR VISIT TO AUSTRALIA

Classified By: CDA Daniel A. Clune. Reasons: 1.4(b),(d)

SUMMARY:

¶1. (C/NF) Kevin Rudd, who was sworn in on December 3, 2007 as Australia's first Labor Party prime minister in nearly 12 years, has moved quickly to implement domestic reforms and to give substance to a three-pronged foreign policy based on the primacy of the treaty alliance with the United States, greater commitment to multilateral organizations, and deeper engagement with Asia. Eight months into his administration, Rudd's government continues to ride a wave of popularity from the Australian Labor Party's (ALP) resounding November 2007 election victory over the conservative Liberal/National Coalition government of John Howard. Rudd has delivered on campaign promises to roll back the previous government's controversial industrial relations legislation, sign the Kyoto Protocol and withdraw Australian combat troops from Iraq, while maintaining Australia's combat commitment to Afghanistan "for the long haul." He issued a historic apology to Australian Aborigines on the first day of the new Parliament, announced a new development pact with the Pacific Islands, and swiftly dispatched troops to Timor-Leste in February after the attempted assassination of President Ramos Horta. Domestically, while the economy continues into its 17th straight year of growth, Rudd is grappling with the twin challenges of a prolonged drought and the need to address climate change by imposition of a costly and politically difficult emissions trading system as early as 2010.

¶2. (C/NF) Despite his background as a former diplomat and Shadow foreign minister, Rudd made some early missteps with India and Japan, and his failure to consult with international stakeholders, including the United States, before announcing major foreign policy initiatives on regional architecture and nonproliferation/disarmament generated additional criticism. He signalled a determination during the election campaign to be a more critical partner of the United States than his predecessor, tapping into widespread unease over the extent of U.S. influence on Australia's foreign policy, particularly over Iraq. An advocate of "middle power diplomacy," Rudd can be expected to continue to challenge the United States to do more on climate change, arms control and disarmament. Policy differences aside, however, Rudd is strongly committed to Australia's alliance with the United States, and his endorsement of ongoing collaboration with the United States across the great breadth of shared interests highlights Australia's determination to be a reliable partner.

END SUMMARY

U.S. ALLIANCE

¶3. (SBU) The Australian Labor Party (ALP) takes credit for establishing the alliance with the United States during World

War II, which ultimately led to the 1951 Australia-New Zealand-United States (ANZUS) Treaty. Support for the U.S. alliance is one of the three pillars of Rudd's foreign policy (along with cooperative engagement with multilateral organizations such as the UN and engagement with Asia). Rudd has made clear Australia's commitment to the alliance, and was quick to reach out to the United States in his election victory speech - the only foreign country he mentioned. One victory speech - the only foreign country he mentioned. One of Rudd's first visits abroad was to the United States and in March, he and the President reaffirmed that the relationship endured, regardless of the government in power in either country.

¶4. (C/NF) Rudd stressed in his election campaign that he would be more independent from the United States than his predecessor John Howard, perceived by the Australian public to have been in lockstep with President Bush, who is unpopular here. Issues such as the Iraq War, the five-year confinement without trial in Guantanamo of Australian citizen David Hicks, and had soured the Australian public on the Bush Administration. Australian combat troops withdrew from Iraq in June 2008. Hicks returned to Australia from Guantanamo in May 2007, after a guilty plea to providing material support for terrorists, and was released from a local prison in December 2007. One area where the Rudd government's policy diverges somewhat from ours is climate change, a topic that resonates strongly in Australia where many see a direct causal link with a series of recent, very severe droughts. PM Rudd ratified the Kyoto Protocol within hours of being sworn in, is committed to implementing an emissions cap and trade system as early as 2010. Another area in which there is an emerging change of emphasis is in arms control and disarmament. Building on the 1995 Canberra Commission on Disarmament

THE RUDD GOVERNMENT

¶5. (SBU) Rudd's extended political honeymoon with the public shows signs of fading as his government confronts some of the more contentious political and economic realities. The dramatic increase in petrol prices in May and June has created a political backlash here as it has in many other countries. Rudd's response -- a scheme to monitor prices -- was seen as inadequate by many voters and it has allowed the Opposition to right itself after the election defeat and a disastrous start by new Opposition Leader and former Defense Minister Brendan Nelson. Nelson's approval ratings, which were in single digits until oil prices shot up, have now improved but Rudd still holds a commanding lead as preferred prime minister.

ECONOMY

¶6. (SBU) Rudd's principal economic challenge is rising inflation, attributed mainly to capacity constraints, particularly labor, as Australia, thanks to a commodities boom fueled by China and India, continues its 17th consecutive year of growth. The Reserve Bank of Australia raised interest rates for the fourth time in eight months at the beginning of March. Unemployment is at a 33-year low, labor participation is at all-time highs, and all signs point to significant increases in resource prices that will ripple through the Australian economy.

¶7. (SBU) The United States and Australia enjoy very close economic relations. The centerpiece is the U.S.-Australia Free Trade Agreement, which went into effect in January 2005. The U.S. enjoys a \$10 billion trade surplus with Australia, our third-largest in the world. We are Australia's third largest trading partner (after China and Japan), and by far the largest foreign investor in Australia. Australia is our 14th-largest trading partner, and the bulk of Australian overseas investment flows to the United States. We recently concluded an Open Skies civil aviation agreement with Australia, which was signed in late March during Prime Minister Rudd's visit to Washington.

MISSTEPS ON FOREIGN POLICY

¶8. (C/NF) While Rudd served as a diplomat early in his career and is the only world leader outside China who is fluent in Mandarin, his government has made some misjudgments in the foreign affairs area. Foreign Minister Smith angered India with his public announcement, standing next to his Chinese counterpart, that Australia would no longer support a Quadrilateral Strategic Dialogue with India -- a short-lived offshoot of the Trilateral Strategic Dialogue

(U.S.-Japan-Australia) -- in deference to China's sensitivities. Rudd irritated Japan with his government's threats to take legal action against Japanese whaling, coupled with release of GOA photographs of Japan's whaling activities, and his failure to include Japan, a major security and trade partner, on his first major overseas trip.

Moreover, Rudd encountered criticism and raised eyebrows for the hasty manner in which he rolled out two major foreign policy initiatives in June. His vision for a European Union-style Asia Pacific Community by 2020 unveiled on June 4, and his June 9 announcement that Australia would establish an International Commission on Nuclear Nonproliferation and Disarmament and host an international conference to shape the outcome of the 2010 Nuclear Nonproliferation Treaty Review Conference, were both launched without internal vetting or consultation with the international stakeholder countries whose support would be needed for the success of these undertakings. Senior officials have ascribed the lapse to Rudd's rush to fulfill foreign policy promises made during the election campaign and the "talismanic" importance of nuclear disarmament to the Australian Labor Party, but Rudd's inclination to rely on his small inner circle of advisors rather than on his bureaucracy, and his evident need to dominate the headlines may also explain his actions.

COMMITMENT TO MULTILATERAL ORGANIZATIONS

¶9. (C) To further the GOA's engagement with multilateral organizations, PM Rudd visited the UN on his first international trip, where he announced Australia would seek a seat on the UN Security Council for the 2013-2014 term, and then proceeded to Europe to reinvigorate Australia's ties with the European Union. While in opposition, the ALP supported international military action to overthrow the Taliban in Afghanistan in 2002 but opposed the invasion of Iraq, partly because the latter action lacked a UN mandate. Rudd's proposal for an Asia-Pacific Community builds on his multilateral commitment.

ARMS CONTROL, DISARMAMENT AND NONPROLIFERATION

¶10. (U) Australia historically has had a strong record on arms control and disarmament, and has signed and ratified all the major regimes, including the Nuclear Nonproliferation Treaty (NPT); the Comprehensive Test Ban Treaty (CTBT); the Chemical Weapons Convention (CWC); the Biological Weapons Convention (BWC); the Ottawa Convention on landmines; and the Convention on Certain Conventional Weapons (CCW). It was a founder of the IAEA, and is member of its Board of Governors, and has been a close partner with the U.S. on export controls, particularly MANPADS. Australia is a member of the Zangger Committee, the Nuclear Suppliers Group (NSG), the Australia Group, the Proliferation Security Initiative (PSI), and the Missile Technology Control Regime (MTCR). Australia will be the 2008-2009 MTCR Chair and will host the 2008 MTCR Plenary in Canberra in November.

¶11. (C/NF) FM Smith may raise with you PM Rudd initiative to establish an International Commission on Nuclear Nonproliferation and Disarmament, which would report to an Australian-hosted international conference of experts in **¶12009**. The Commission, to be headed by Gareth Evans, a former foreign minister who now heads the Brussels-based International Crisis Group, is intended to address the deterioration of the NPT regime, in light of the number of non-NPT states that have developed nuclear weapons, and to shape a successful outcome at the 2010 NPT Review Conference.

In particular, the Rudd identified three areas of study for the Commission, including:

- strengthening compliance with the NPT by requiring all NPT signatories to adopt IAEA-designed monitoring provisions (i.e., Additional Protocols);
- developing an international system to manage the nuclear fuel cycle; and
- adopting a process to bring the Comprehensive Nuclear Test Ban Treaty (CTBT) into force

(Note: On May 12, Foreign Minister Smith publicly called for the nine countries that have not ratified the CTBT, including the United States, to do so to bring the Treaty into force.)

FM Smith may invite you to nominate a U.S. representative to sit on the Commission. A related objective of the Rudd government - progress on a Fissile Material Cutoff Treaty - may also surface for discussion during your visit.

DEFENSE COOPERATION

¶12. (C) The Rudd government has ordered a comprehensive review of defense policy, including review of some major defense acquisitions from the United States, slowing or postponing bilateral cooperation in some areas, such as missile defense. While the review will not be completed until the first quarter of 2009, we have been assured privately not to expect surprises in the overall strategic assessment, and we expect defense cooperation to proceed with little interruption. We can expect Australia's continued contributions to military operations targeting the Taliban and al-Qaeda in Afghanistan, and a continued non-combat role in Iraq. The small size of its military - 52,000 personnel - and demands of deployments elsewhere, most recently in response to the attempted coup in East Timor, mean Australia will be hard pressed to increase substantially the level of its deployments for some time to come. Despite this, we are confident Australia will remain one of our closest allies and most reliable security partners for the foreseeable future.

¶13. (SBU) Australia is a large consumer of U.S. defense hardware and technology, consistent with its objective of interoperability. Foreign Military Sales (FMS) in 2007 were \$3 billion. Australia has selected the Aegis Combat Control System for its three air warfare destroyers that will come into service in 2014, 2016, and 2017, respectively. The F/A-18 aircraft is the principal combat aircraft of the Royal Australian Air Force (RAAF), backed by the U.S.-built F-111 strike aircraft. Pending review by the Rudd government, Australia will acquire 24 Boeing F/A-18F Super Hornet fighters to maintain an interim strike capability between the phase-out of the F-111s by 2010, and the projected acquisition of up to 100 F-35 Joint Strike Fighter aircraft during 2013-2020. If approved in the review, deliveries of the Super Hornet would commence in 2010. The RAAF has received three of four C-17 strategic airlift aircraft purchased, and is acquiring Boeing's Airborne Early Warning and Control system (referred to as Wedgetail). Recent sales to the Royal Australian Army include the M1A1 tank, as well as Hellfire and JAVELIN missiles. Negotiations were held in January on the U.S.-Australia Defense Cooperation Treaty's Implementing Arrangements, although the parallel U.K. agreement leads any progress on the Australian document. Australian industry hopes implementation will streamline and increase defense technology exchange and trade. The Australian Defence Materiel Organisation estimates a 50 percent reduction in export licenses required following treaty implementation. Australia is purchasing a Wideband Global SATCOM (WGS) satellite that will be incorporated into the U.S. DOD's WGS five-satellite constellation.

¶14. (S/REL AUS) As discussed with the Howard government during your visit to Australia with President Bush in September 2007, and as reconfirmed during the 2008 AUSMIN meeting by the Rudd government, our two governments have agreed to strengthen combined capabilities and U.S. military

access to Australia, referred to as Enhanced Defense Cooperation. Both sides subsequently agreed to focus on three areas: enhancing the Joint Combined Training Capability; prepositioning equipment for Humanitarian Assistance and disaster relief (HA/DR) operations in the region; and strengthening Intelligence, Surveillance and Reconnaissance (ISR) access and cooperation.

CT COOPERATION

¶15. (C/NF) Australia continues to be a CT leader in the region. Regionally, Australia has worked with partner nations to develop and draft counterterrorism legislation. Much of that work has been in the Philippines. Australia's involvement in the Jakarta Center for Law Enforcement Cooperation (JCLEC) has helped turn a syllabus that was once meager into one that now encompasses over a 100 courses. Approximately 3000 law enforcement and civilian personnel have trained at JCLEC. Australia also continues to be the driving force behind maritime security capabilities in Southeast Asia.

¶16. (C/NF) On the domestic front, two ongoing trials in Sydney and Melbourne are likely to test its 2006 CT legislation and establish precedents for the future. Olegislation and establish precedents for the future. Attorney General Robert McClelland told us that he is concerned that prosecutors and investigators are being "precious" with their areas of responsibilities. When investigators complete their work, for example, they stop serving as active participants in the legal case. McClelland hoped to see a change to this and has reached out to U.S. law enforcement organizations (such as the NYPD) to help train Australian prosecutors and investigators. Australia has enacted new anti-money laundering and counterterrorism financing (AML/CTF) legislation in late 2006 that would make the Australian Transaction Reports Analysis Centre (AUSTRAC), which monitors financial transactions, the national AML/CTF regulator with supervisory, monitoring, and enforcement functions over a diverse range of industry sectors.

IRAQ

¶17. (C/NF) The approximately 515 Australian combat troops comprising the Overwatch Battle Group in southern Iraq, plus the 100-strong Australian Army Training Team, were withdrawn in June, leaving in place approximately 1,000 defense personnel, including a 100-man security detachment for its diplomatic mission in Baghdad, and naval and air patrol assets based in neighboring countries that support operations in both Iraq and Afghanistan. Beyond the redeployment of the combat element, the Australians plan to remain engaged in Iraq in reconstruction and other non-combat roles, and the Cabinet will soon consider proposals for additional training and technical assistance. We have asked Australia to contribute specialists to serve in U.S. PRTs.

AFGHANISTAN

¶18. (C/NF) Unlike Iraq, there has been bipartisan support in Australia up to now for its troop commitment in Afghanistan, and the Rudd government has reaffirmed that it plans to remain in Afghanistan for the "long haul." Support for Australia's combat role in Afghanistan is linked in part to the presence of al-Qaeda and the Taliban, who trained bombers that killed 202 civilians, including 88 Australians, in Bali in 2002, as well as to the impact of the Afghan drug trade on Australia. The Australian government is considering deploying an Operational Mentoring and Liaison Team (OMLT) to help train the Afghan National Army and additional civilian development assistance, but is not currently contemplating increasing its combat forces. Three Australian soldiers have been killed in Afghanistan in recent months; Australian public opinion may begin to turn against a military role in Afghanistan if casualties increase, especially if NATO countries continue to show reluctance to fight in south Afghanistan.

U.S.-INDIA CIVIL NUCLEAR DEAL

119. (C/NF) Rudd has declared Australia will not export uranium to India because it has not signed the Nuclear Nonproliferation Treaty. He has signalled, however, that Australia likely will support an exception for the U.S.-India civil nuclear agreement in the Nuclear Suppliers Group and IAEA, an assurance that FM Smith privately gave his Indian counterpart in June.

CHINA

120. (C/NF) An important dynamic in the U.S. relationship with a new Labor government is China. Rudd shares our position that China needs to be encouraged to be a responsible stakeholder in the international system, and he has previously expressed support for the U.S. in any conflict over Taiwan. China is now Australia's largest trading partner and Rudd views the Chinese export market as a critical component of Australia's growth now and well into the future. PM Rudd's background as a Mandarin-speaking former diplomat who served in Beijing have led some to believe that he might be overly sensitive towards China, but he has assured the Ambassador that he does not view China through "rose-colored glasses," and he has made clear that the international community needs to be prepared for the possibility that China's rise might take a "malign" turn. Early signs are that the Rudd government will be tough or tougher than its predecessor on China's military modernization, transparency, and human rights, including in Tibet, judging by Rudd's statements and the inaugural Strategic Dialogue with China on February 4-5.

CLUNE